



# THE LENDER'S ADVANTAGE

Welcome to the MA District Office

SBA Quarterly Lenders  
Meeting and Quarterly  
Lender Recognition

2/27/09



# THE LENDER'S ADVANTAGE

## Charles Smith – Lender Relations Specialist



MA most recent new hire. First in over 10 years! Relocated to Boston from Texas. JD and MBA. Will be working with Anne Hunt and our MA lenders.



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## Loan Activity since 10/1/08 forward

- 7a nationally down over 50%; 504 down by over 40%
- Community Banks and smaller regional bank's helping pick up the slack. (28 MA lenders have made a loan in 2009 that had not made one at this same time last year in 2008. 70 lenders in MA increased loan activity in 2008 over 2007.)
- Loans to start ups being adversely impacted....now at 22% of SBA activity in MA vs. 30% in 2008 (nationwide @34% in 2009 YTD)



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## FYTD 2009 activity in MA (10-1-08 thru 2-6-09)

- MA 7a loans – 331 for \$46,743,000 down 40% from 2008 levels; western MA down 30%
- 504 loans – 62 for \$32,145,000 down 7% from 2008 levels; western MA up 50%
- MA compares favorably to national stats but is still off significantly on 7a



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## **Economic Crisis Hotline**

**617-565-5627 (JOBS)**

Phone number is manned between the hours of 8:30 and 5:00. If not immediately answered, all calls returned within 24 hours.





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## Loan payment deferments/Loan restructures and workouts

SBA Banks encouraged to provide payments deferments to SBA borrowers if asked.

SBA Banks strongly encouraged to be flexible with loan restructures to help business survive economic climate.

# Deferments

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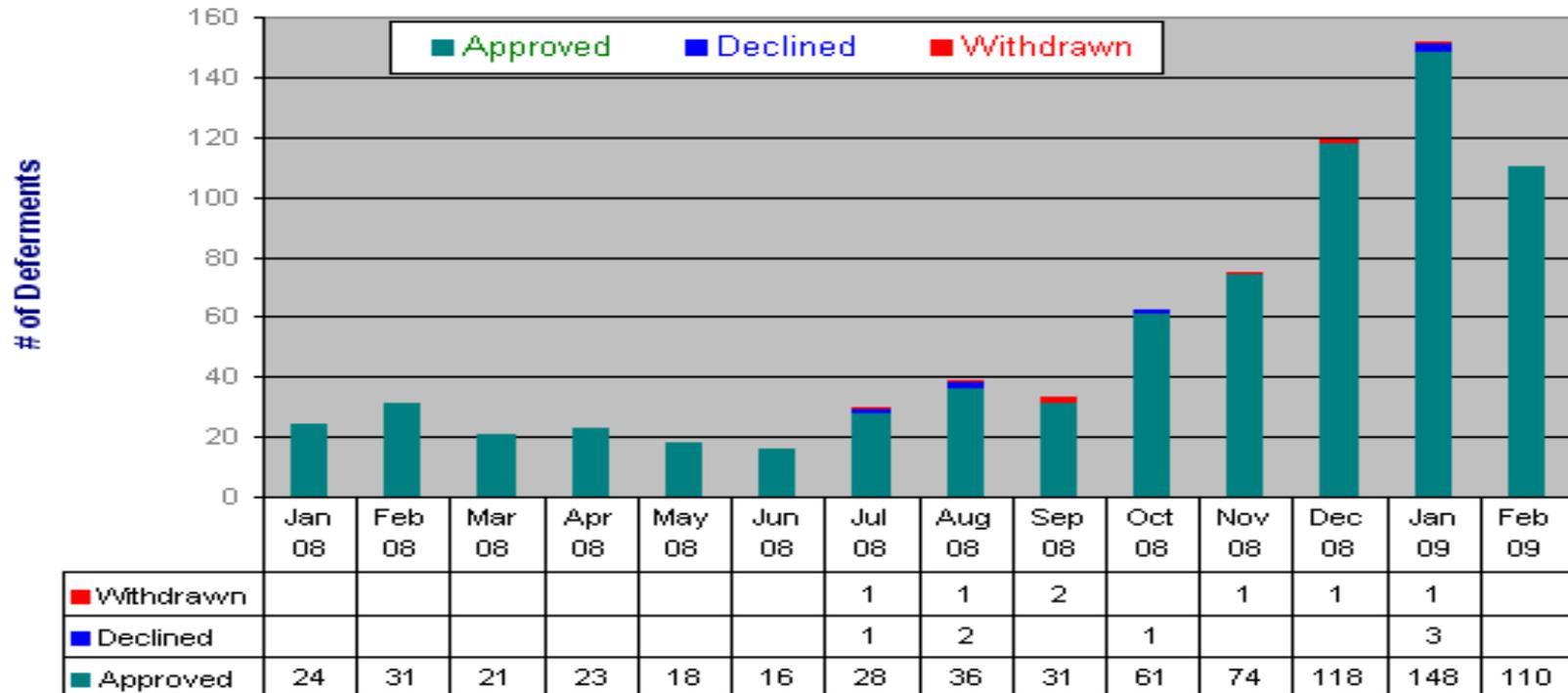
- Consider P & I if loan is early on in amortization period in order to provide real relief
- Deferment of loan does not adversely affect lender's SBA performance benchmarks
- Real cost of a deferment is negligible to the lender and can provide borrower with a chance of survival – savings jobs; and both the bank and the SBA \$.

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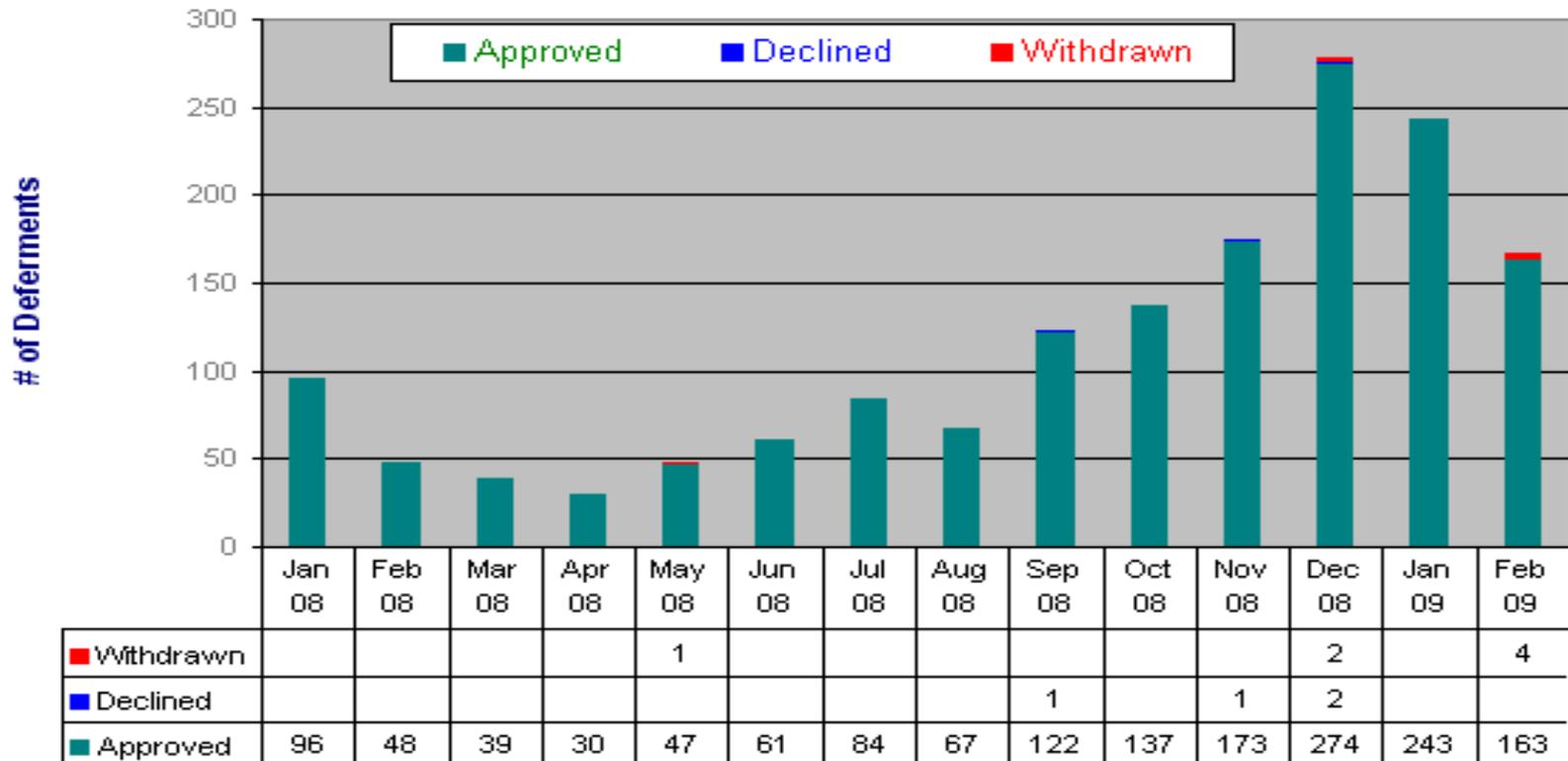
# CDC Deferments

**CDC Deferments**  
**Commercial Loan Service Center - Fresno**  
 From 1-1-08 to date (~14 months)



# 7a Deferments

**7(A) Deferments**  
**Commercial Loan Service Center - Fresno**  
 From 1-1-08 to date (~14 months)





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## American Recovery and Reinvestment Act

- Loan guarantees on some 7a loans going up to 90% - Regular Express is specifically excluded. Additional incentive to lenders to help make more SBA loans.
- WILL A 90% GUARANTY HELP YOU TO MAKE LOANS THAT YOU HAVE PASSED ON?



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## American Recovery and Reinvestment Act

- SBA Fees – Temporary reduction or elimination of fees for lenders and/or borrowers (504 and 7a) to make SBA loans more affordable for small business.



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## American Recovery and Reinvestment Act

- Micro loans – expansion of SBA micro loan program – funding to increase loans from SBA participating micro lenders by \$50 million thru 9/30/10 and includes \$24 million in grants to those lenders.
- District office has a new micro lender application for a Worcester County entity and is expecting additional interest. Looking to expand pool of micro lenders statewide. Help us to spread the word.



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## American Recovery and Reinvestment Act

Other items in the ACT:

- Refinance authority under the 504 loan program.
- Surety Bond guaranty program – increase in maximum bond amount from \$2 million up to \$5 million or \$10 million for a federal contract
- Secondary Market expansion – establishment of a market for pools of “first lien” loans under 504 program. Federal guaranty for pools made of non-federally guaranteed first lien loans. Also, direct loans to broker- dealers to purchase SBA backed loans from commercial lenders which will then be assembled and sold to investors.



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## American Recovery and Reinvestment Act

### BUSINESS STABILIZATION LOANS:

- \$35,000
- Proceeds to pay up to 6 months P & I on existing “qualifying” small business debt
- Made by lender w/100% guaranty by SBA
- Borrower does not start repayment on new loan for up to 12 months after disbursement
- Business must be “viable” and experiencing immediate financial hardship.
- Will this product help you and your non SBA portfolio?
  - Recommendation to SBA to exclude performance on these loans from benchmarks.



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## Other activities to help small business

- City of Boston – Microloan Boston – loans of \$25,000 or less in empowerment zones.
- Mass Bankers – working group exploring a “patient capital” product for viable small business.
- Other efforts – municipalities?? Please share info so that we can help to spread the word



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## What we need from you

- Contact previously declined applicants. Will a 90% guaranty make a difference in the decision?
- Review existing non SBA portfolio for viable candidates for business stabilization loans.
- Communicate with your media contacts on the stimulus and SBA
- Post stimulus information on your websites
- Invite SBA to speak at events and to your contacts
- GOOD LOANS. Higher guaranty not expected to finance "bad" loans but use SBA to make more "good" deals and to help viable businesses.

- RENI Publishing - MA Small Business Resource Guide.
- NAGGL Training – Boston - May 5-7
- SBW 2009 – New England Expo for Business – Registration online at SBA MA website. 5:00 – 7:00 p.m. on May 19, 2009 – BOSTON, MA
- SBA Emerging 200–Recruiting for class #2.
- E newsletters – 1 targeted to lenders and 1 to small business.
- New SBA “Lunch & Learn” Series starting 3/12 at noon – via webinar only. New lender training calendar on MA lender website
- Small & Rural Lender Advantage program



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## SOP Updates – effective 3/1/09

- Refinances of interest only lines of credit now possible
- Goodwill - 50% of loan or max of \$250,000
- Thank you to Greta Johansson – DDD from CT for SOP comparison reference noting changes.

Remember, exceptions to policy are something that can be requested.



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## Unilateral Authority Matrix

- 5/14/07 Substantial delegated authority to lenders to service and liquidate SBA loans without the need for SBA prior approval. Very few instances where a lender needs to come to SBA for prior approval. (Compromises of principal and any possible preference actions need SBA prior written approval.) Prudent and commercially reasonable is the standard.
- SBA has the authority (but rarely uses it) to take servicing away from the bank if the bank is not protecting the interest of SBA.



Questions?